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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL  
OMB Number: 3235-0123  
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SEC FILE NUMBER

8-34069

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

SF Investments, Inc.

OFFICIAL USE ONLY

FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

799 Central Ave.

(No. and Street)

Highland Park

Illinois

60035

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Nathan Shapiro

(312) 554-7500

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Altschuler, Melvoin and Glasser LLP

(Name - if individual, state last, first, middle name)

One South Wacker Drive

Chicago

IL

60606-3392

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

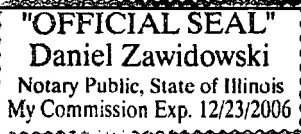
SEC 1410 (06-02)

Potential Persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a current valid OMB control number.

## OATH OR AFFIRMATION

I, Nathan Shapiro, affirm that, to the best of my knowledge and belief the accompanying statement of financial condition pertaining to the firm of SF Investments, Inc., as of December 31, 2004, is true and correct. I further affirm that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Sworn and subscribed to me on the

28<sup>th</sup> day of January 2006

Daniel Zawidowski  
Notary Public

Nathan Shapiro

Signature

President

Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

# **SF Investments, Inc.**

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**Altschuler, Melvoin and Glasser LLP**

Certified Public Accountants and Consultants

## **Independent Auditors' Report**

Stockholder of  
SF Investments, Inc.

We have audited the accompanying statement of financial condition of SF Investments, Inc. as of December 31, 2004 that you are filing pursuant to Rule 17a-5 of the Securities and Exchange Commission. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of SF Investments, Inc. as of December 31, 2004 in conformity with U.S. generally accepted accounting principles.

*Altschuler, Melvoin and Glasser LLP*

Chicago, Illinois  
February 2, 2005

**SF Investments, Inc.**  
**Statement of Financial Condition**  
**December 31, 2004**

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**Assets**

Cash	\$ 300,751
Receivable from and deposit with clearing brokers	769,961
Securities owned	3,353,713
Other assets	<u>540,726</u>
<b>Total assets</b>	<b><u>\$ 4,965,151</u></b>

**Liabilities and Stockholder's Equity**

Liabilities	
Accounts payable and accrued expenses	<u>\$ 346,184</u>
Stockholder's equity	
Common stock, \$100 par value; 1,000 shares authorized, 100 shares issued, 95 shares outstanding	10,000
Additional paid-in capital	1,077,969
Less Treasury stock (5 shares, at cost)	(317,050)
Retained earnings	<u>3,848,048</u>
Total stockholder's equity	<u>4,618,967</u>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 4,965,151</u></b>

# SF Investments, Inc.

## Notes to the Statement of Financial Condition

December 31, 2004

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### Note 1 Nature of Activities and Significant Accounting Policies

**Nature of Operations**—SF Investments, Inc. (the "Company") is a registered broker-dealer in securities and manages security portfolios for customers, primarily based in the Chicago area. All transactions are cleared on a fully disclosed basis through other broker-dealers.

**Income Recognition**—Commission revenue and related expenses are recorded on the accrual basis. Securities transactions are recorded on the trade date.

**Securities Owned**—Securities owned are valued at market value using quoted market prices. Realized and unrealized changes in fair values are recognized in net trading revenue in the period in which the changes occur.

**Use of Estimates**—In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**—The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal income taxes on its taxable income. Instead, the stockholder is liable for income taxes on his share of the Company's taxable income. The Company, however, is subject to the Illinois replacement tax.

### Note 2 Securities Owned

Securities owned at December 31, 2004 consisted of:

Long equity securities	\$ 749,884
Preferred stock	387,188
U.S. Treasury bills	2,194,801
Corporate bond	<u>21,840</u>
	<u>\$ 3,353,713</u>

### Note 3 Related-Party Transactions

The Company derives a portion of its brokerage commissions by executing security transactions on behalf of its stockholder and various affiliated entities.

# **SF Investments, Inc.**

## **Notes to the Statement of Financial Condition**

**December 31, 2004**

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### **Note 4 Commitments**

Minimum annual rentals under a noncancelable lease for office space that expires in 2009, excluding additional payments for certain increases in operating and maintenance costs and real estate taxes, are approximately:

2005	\$ 85,000
2006	85,000
2007	85,000
2008	85,000
2009	<u>85,000</u>
	<u>\$ 425,000</u>

### **Note 5 Employee Benefit Plan**

The Company has a defined contribution plan covering all eligible employees, as defined under Section 401(k) of the Internal Revenue Code.

### **Note 6 Off-Balance-Sheet Credit and Market Risk**

Customers' securities transactions are introduced to and cleared through the Company's clearing broker. Under the terms of its clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the clearing broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines is monitored daily and, pursuant to such guidelines, customers may be required to deposit additional collateral or reduce positions when necessary.

Amounts on deposit at a bank and receivables from and on deposit with the clearing broker represent concentrations of credit risk. The Company does not anticipate nonperformance by its bank or the clearing broker. In addition, the Company has a policy of reviewing, when necessary, the creditworthiness of the bank and the clearing broker with which it conducts business.

### **Note 7 Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain net capital equivalent to \$250,000 or 6-2/3 percent of aggregate indebtedness, whichever is greater, as these terms are defined.

Net capital and aggregate indebtedness change from day to day, but at December 31, 2004, the Company had adjusted net capital and net capital requirements of \$3,879,808 and \$250,000, respectively.